



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
BATH COUNTY CLERK**

Calendar Year 2000

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BATH COUNTY CLERK

Calendar Year 2000

We have completed our audit of the Bath County Clerk's 2000 fee account. We have presented the accompanying comments and recommendations, which discuss the following areas of noncompliance:

- The County Clerk Should Maintain Timesheets For All Employees
- The County Clerk Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

The County Clerk's office generated excess fees of \$40,141, which represents net income of the office after paying all operating expenses for the year. Excess fees are payable to the Bath County Fiscal Court. The County Clerk has already paid \$40,141 in excess fees to the Bath County Fiscal Court.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Ray F. Bailey, Bath County Judge/Executive
Honorable Glen R. Thomas, Bath County Clerk
Members of the Bath County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Bath County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
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Honorable Glen R. Thomas, Bath County Clerk
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In accordance with Government Auditing Standards, we have also issued a report dated May 11, 2001, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following areas of noncompliance:

- The County Clerk Should Maintain Timesheets For All Employees
- The County Clerk Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 11, 2001

BATH COUNTY
GLEN R. THOMAS, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

State Fees For Services	\$	5,930
Fiscal Court		190
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$	257,080
Usage Tax		489,701
Tangible Personal Property Tax		535,954
Licenses-		
Marriage		4,105
Deed Transfer Tax		17,790
Delinquent Tax		66,828
		1,371,458
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	\$	8,876
Real Estate Mortgages		12,386
Chattel Mortgages and Financing Statements		45,951
Powers of Attorney		659
All Other Recordings		9,783
Charges for Other Services-		
Copywork		8,631
		86,286
Other:		
Election Reimbursement		740
Interest Earned		4,998
Gross Receipts	\$	1,469,602

The accompanying notes are an integral part of the financial statement.

BATH COUNTY
 GLEN R. THOMAS, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	187,937	
Usage Tax		478,861	
Tangible Personal Property Tax		216,129	

Licenses-

Delinquent Tax		8,808	
Legal Process Tax		12,584	\$ 904,319

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	46,178	
Delinquent Tax		10,941	
Deed Transfer Tax		16,900	74,019

Payments to Other Districts:

Tangible Personal Property Tax	\$	253,387	
Delinquent Tax		29,853	283,240

Payments to Sheriff 1,301

Payments to County Attorney 10,805

Operating Disbursements:

Personnel Services-

Deputies Salaries	\$	68,302	
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Employee Benefits-

Employer's Paid Health Insurance		13,409	
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Materials and Supplies-

Office Supplies		2,134	
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Other Charges-

Dues		300	
Miscellaneous		824	
Refunds		7,903	\$ 92,872

Total Disbursements \$ 1,366,556

The accompanying notes are an integral part of the financial statement.

BATH COUNTY
 GLEN R. THOMAS, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Net Receipts		\$	103,046
Less: Statutory Maximum			<u>59,305</u>
Excess Fees		\$	43,741
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for Calendar Year 2000		\$	40,141
Payments to County Treasurer - February 9, 2001	\$	40,097	
March 7, 2001		<u>44</u>	<u>40,141</u>
Balance Due at Completion of Audit		\$	<u><u>0</u></u>

The accompanying notes are an integral part of the financial statement.

BATH COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

BATH COUNTY
 NOTES TO THE FINANCIAL STATEMENT
 December 31, 2000
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk failed to maintain a security agreement to protect deposits in excess of FDIC coverage.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of April 11, 2000.

	<u>Bank Balance</u>
Funds Insured by Federal Deposit Insurance Corporation	\$ 100,000
Uncollateralized and uninsured	<u>103,549</u>
Total	<u><u>\$ 203,549</u></u>

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$18,719. No funds were expended during calendar year 2000.

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COMMENTS AND RECOMMENDATIONS

BATH COUNTY
GLEN R. THOMAS, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

Calendar Year 2000

STATE LAWS AND REGULATIONS:

1. The County Clerk Should Maintain Timesheets For All Employees

We noticed the County Clerk was not maintaining timesheets for his employees. KRS 337.320 requires every employer to keep a record of the amount paid each pay period to each employee and the hours worked each day and each week by each employee. We recommend daily and weekly time records be maintained for all employees of the County Clerk's office.

County Clerk's Response:

None.

2. The County Clerk Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On April 11, 2000, \$103,549 of the County Clerk's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the County Clerk require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Clerk's Response:

I had a pledge of security. The bank canceled it without notifying me, then put us on under the name of the Bath County Fiscal Court.

PRIOR YEAR:

The County Clerk Should Maintain Timesheets For All Employees.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Bath County Clerk for the year ended December 31, 2000, and have issued our report thereon dated May 11, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Bath County Clerk's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The County Clerk Should Maintain Timesheets For All Employees
- The County Clerk Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bath County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 11, 2001

